Power Corporation Superannuation Plan

Annual Report 2009

Year at a glance

- A pension benefit increase of 2.31% became effective in 2009, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan.
- During 2009 the Plan paid $47 million in benefits.
- The Plan's actual return in 2009 was 13.4% compared to 12.8% for the benchmark return.
- The Plan ended 2009 with a deficit of $162 million.
- The parties to an outstanding lawsuit against SaskPower reached a settlement that impacts the Plan.

Fact

- According to the 2009 Canadian Pension Fund Investment Overview, the Plan is ranked 164th in Canada in net assets and is the 9th largest defined benefit pension plan in Saskatchewan.

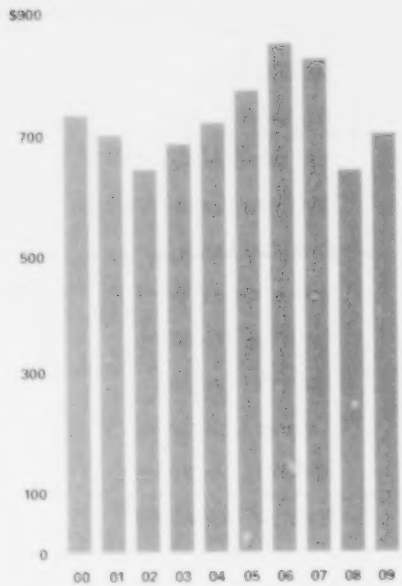
Mission statement

To provide continuous pension benefits for Plan members through prudent stewardship of assets and liabilities, as well as effective plan administration in accordance with current legislation.

Overview

Financial highlights

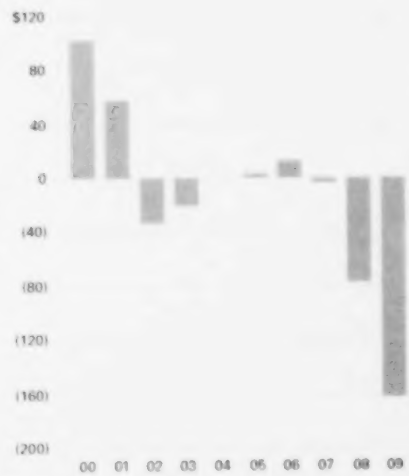
(in millions)	2009	2008
Investments		
Short-term securities	$ 5	$ 6
Bonds	239	224
Equities	399	355
Real estate	32	30
Infrastructure	22	22
Receivables	7	3
Cash	2	1
Total assets	706	641
Liabilities	6	1
Net assets available for benefits	700	640
Accrued pension benefits, end of year	862	717
Deficit	$ (162)	$ (77)



NET ASSETS AVAILABLE FOR BENEFITS AS AT DECEMBER 31
(in millions)

Changes in net assets available for benefits

(in millions)	2009	2008
Increases:		
Investment income	$ 22	$ 27
Increase in fair value of investments	59	–
Contributions	29	2
	110	29
Decreases:		
Decrease in fair value of investments	–	168
Superannuation allowances	47	45
Administration expenses	2	2
	49	215
Changes in net assets	$ 61	$ (186)



SURPLUS/(DEFICIT) AS AT DECEMBER 31
(in millions)

Investment performance

Rates of return (%)	2009	2008
Plan actual rate of return	13.4	(17.7)
Plan benchmark	12.8	(16.3)
Four-year rolling average return	2.5	2.5
Four-year rolling benchmark	1.9	1.5

Table of contents

This report summarizes certain provisions of the Power Corporation Superannuation Plan (the Plan). This report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Plan will govern in all cases.

Chair's message

It is my pleasure to present to you the Power Corporation Superannuation Plan Annual Report for the year ending December 31, 2009. It is intended to provide Plan members with relevant information pertaining to their pension.

The dramatic investment collapse that began in 2008 continued until March of 2009. In many ways, the recovery during 2009, while not a complete reversal of the collapse, was equally surprising. The investment recovery was not uniform across all markets. Some of the most astounding returns came from markets with the highest levels of risk.

In managing your Plan we seek a portfolio of investments that will spread the risk over a variety of asset classes. In 2009, we did not see strong results from our new asset classes of infrastructure and real estate; however, these investments should meet the long-term needs of the Plan. The move to hold more long-term bonds was also geared toward better matching liability changes with changes in asset returns.

While the Plan returns exceeded benchmark, the significant decline in the discount rate meant that the obligation for pension benefits increased by a much greater amount. These changes are larger than normal but well within the range of expected situations that will be experienced over the long life of a pension plan.

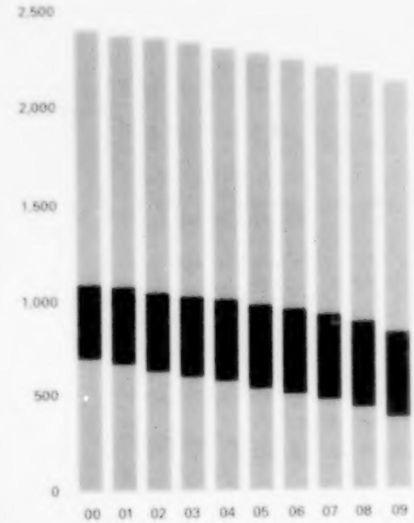
There were other significant events that took place this year. The long standing lawsuit was settled late in the year. As a result of the settlement, SaskPower made the first payment of $27 million into the Plan. Based on the agreement, additional payments will continue to support the long-term benefits promised by the Plan. During the year, record keeping aspects of the Plan were shifted to the Public Employees Benefits Agency (PEBA). This shift will see the company continue its focus on retirement activities while allowing PEBA to utilize its strength and systems to provide sound administration.

I thank the Board and staff for their work in 2009 and for their continued support as we move forward. The Board welcomed Phil Davies as vice chair and thanks Rachelle Verret Morphy for her time on the Board. Despite the economic conditions we have been through, the Plan continues to be sound and well situated to provide benefits into the future.

Grant Ring

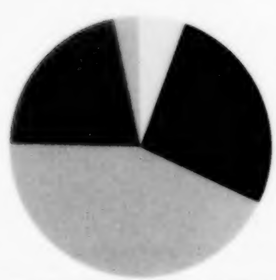
Grant Ring, FCMA
Chair
Power Corporation Superannuation Board

The 2009 financial year



PLAN MEMBERSHIP
(number of members)

SUPERANNUATES AND DEFERRED
SURVIVORS
ACTIVE



2009 PENSIONERS BY AGE

90 AND OVER 3%
80-89 21%
70-79 44%
60-69 26%
59 AND UNDER 6%

Plan profile

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. The Power Corporation Superannuation Board is responsible for administering the Act. The Plan comprises members who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

In accordance with the Act, the Saskatchewan Power Corporation (SaskPower) shall pay each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Optional pension forms, such as joint life and 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan holds a well-diversified portfolio of debt, equity, real estate and infrastructure investments. Net assets totalled $700 million at year-end, an increase of $61 million over the previous year. Of this total, approximately $415 million or 59% of assets were invested in Canadian bonds, equities, and real estate while the remaining 41% was invested in 30 different countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

Plan demographics

The Plan has been substantially closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement. The average service time for active members is 34 years.

Approximately 82% of total members are receiving benefits. At December 31, 2009, there were 1,731 receiving a pension, 15 eligible for a deferred pension and 362 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions are required to make contributions at a rate recommended by the Plan actuary.

Both members and employers (SaskPower and designated institutions) have contributed to funding. In 2009, the Plan received funding of $29 million, the majority ($27 million) relates to a payment made by SaskPower in accordance with a 2009 binding court settlement. Since inception, the cumulative total of employer contributions is 47%, or $129 million; the cumulative total of the 2009 binding court settlement payments by SaskPower is 10%, or $27 million; and the cumulative total of employee contributions is 43%, or $117 million. During the year, the Plan paid $47 million in benefits, compared to $45 million in 2008.

At a minimum, an actuarial valuation for funding purposes is prepared every three years in accordance with Canada Revenue Agency guidelines. SaskPower uses this valuation along with other information to determine any contribution it may make into the Plan.

The cost of future benefits is increasing as pensioners live longer and the current low interest rate environment is limiting prospects for investment returns, thereby driving up projected pension liabilities.

Significant communications and events

Annual benefit statements During 2009, benefit statements were distributed for the year ending December 31, 2008, to all active and deferred members. These statements reflect basic pension information and are expected to be distributed annually.

Annual report The Power Corporation Superannuation Plan Annual Report is also provided to all members.

Pension communications A Pension Communication Committee comprising superannuate, union and management representation helps improve members' understanding of Plan provisions while disseminating significant legislative changes in a timely manner. During the past nine years, the committee has distributed the *Pension Update* newsletter to all members at least once a year.

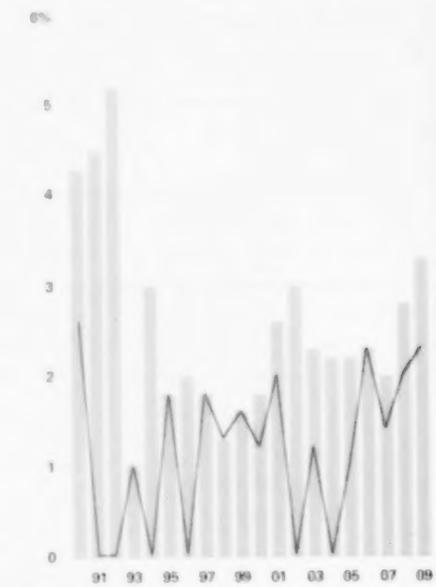
Lawsuit settled Acting on behalf of active members of the Plan, an individual filed a lawsuit against SaskPower in December 1996. In July 2009 the parties agreed upon a conditional settlement, which became final and binding on November 19, 2009. The settlement terms require SaskPower to make a payment into the Plan in an amount equal to the actuarial deficit of the Plan ($81 million) determined as of December 31, 2008. SaskPower's payment is to be made in three annual installments of $27 million each. SaskPower made the first payment in December 2009. The remaining two payments are due in July 2010 and July 2011.

Indexing In the fall of 2006, the provincial government introduced legislation to set indexing for the Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 2.31% was granted in 2009.

Consistent investment performance The Plan's overall return in 2009 was 13.4% compared to the benchmark of 12.8%. The Plan's investment managers continue to add value over a four-year and 10-year cycle.

Change in the Plan's bond index By December 31, 2009, the transition of the Plan's bond portfolio from the universe index to the long index was 75% complete. The objective of the change is to lengthen the duration of the portfolio to better match the duration of the Plan's liabilities, which reduces the variability of the Plan's funded status. Typically the long index returns a higher yield than the universe index, which includes short, midterm and long indexes. The final transition is targeted for mid-2010.

In 2009, the Board approved currency management. Transactions are targeted to commence in the first quarter of 2010. The objective of currency management is to hedge the majority of the Plan's exposure to changes in the value of foreign currencies. Hedging the exposure will reduce the impact of currency fluctuations on the value of the foreign investment. In 2007, the Plan recorded a $42 million foreign exchange loss compared to a $46 million gain in 2008 and a $29 million loss in 2009.



PENSION BENEFIT INCREASES

CONSUMER PRICE INDEX (PRIOR YEAR)

AD HOC/PENSION BENEFIT INCREASES (MAY BE AN AVERAGE OF A GRADUATED SCALE)

Change in the pension administrator: Effective January 1, 2009, superannuate pension payments are being made through RBC Dexia Investor Services. In addition, the administration of member benefits for superannuates was transitioned to the Public Employees Benefit Agency (PEBA) effective January 1, 2009. The transition for active members is expected to take place in the first quarter of 2010.

Plan governance

Authority: The Power Corporation Superannuation Plan Board is responsible for the overall governance and administration of the Plan. Board Members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The priority of the Board is to ensure that all members receive the secure benefits to which they are entitled. To deliver this pension promise, the Board serves as a vital check to verify that the Plan's assets are managed prudently. Board Members are required to ensure compliance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

Role of the Board: The Board selects the Plan's actuary, custodian and investment managers, and sets the investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing performance of investment managers; and adopting procedures that provide effective communication and maintain the integrity of internal controls. In addition, the Board is responsible for the sound investment and professional administration of the Plan on behalf of members, superannuates and sponsors. It reviews investment policies and performance, evaluates pension liabilities and ensures that the financial statements are audited by an independent auditor.

The Board bases its decisions on comprehensive research and input from expert advisors. It also monitors the Plan's overall administration to satisfy itself that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

Board composition
As at December 31, 2009

Grant Ring
Chair
President
NorthPoint Energy Solutions

Philip Davies
Vice-chair
Vice-president and general counsel
SaskPower

Robert Haynes
SaskEnergy representative
Vice-president, Human Resources
SaskEnergy

Ken Pielak
Employee representative
Communications, Energy and Paperworkers (CEP)
SaskEnergy

Dairen Beblow
Treasurer
SaskPower

Brian Ross
Employee representative
International Brotherhood of Electrical Workers (IBEW)
SaskPower

Jack Shepherd
Superannuate representative
Power Pioneers Association Inc.

Board Member training: Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is important they are knowledgeable in pension related matters and that they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, an annual training, development and maintenance budget of $42 thousand (including travel and related costs) was established for the Board. These fees are paid for by the Plan. In 2009, Board Member training costs totalled $20 thousand.

These costs do not include any Board Member training that may have been paid by SaskPower or any other institution. Board Members do not receive compensation for their services.

Board and management Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. SaskPower staff that work with the Plan are expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff are involved in monitoring the activities of the investment managers, reviewing the asset mix and are the primary contacts for member inquiries. SaskPower staff report to the Board on a regular basis, providing summarized information relating to financial transactions, investments, retirement benefit activity and overall performance.

Independent experts

The Plan's Statement of Investment Policies and Procedures (SIP&P) provides guidelines for investment and monitoring assets. These principles were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial, investment and accounting professionals, as well as a custodian.

The Board is required to meet at least annually with the investment advisor and each of the investment managers to discuss past performance, strategies and expected future performance. As well, the Board reviews valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2009, the Board met quarterly to review financial results, performance and retirement benefit activity.

Investment managers Investment managers at December 31, 2009, were:

Asset class	Investment manager
Canadian equity	Jarislowsky Fraser Limited
Canadian equity, bond and real estate	Greystone Managed Investments Inc.
Global equity	Templeton Management Limited
International equity	Greystone Managed Investments Inc. delegated to Goldman Sachs and Hansberger Global Investors.
U.S. equity	BlackRock Asset Management Canada Limited[1]
Infrastructure	Macquarie Capital Markets Canada Limited

1 A merger between Barclays Global Investors and BlackRock Inc. was announced in June and completed in December 2009. The combined firm now operates under BlackRock Asset Management Canada Limited.

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to optimize the risk/return profile for each asset class. The investment managers report results to the Board on a regular basis.

Investment consultant Hewitt Associates is the Plan's investment consultant and provides an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

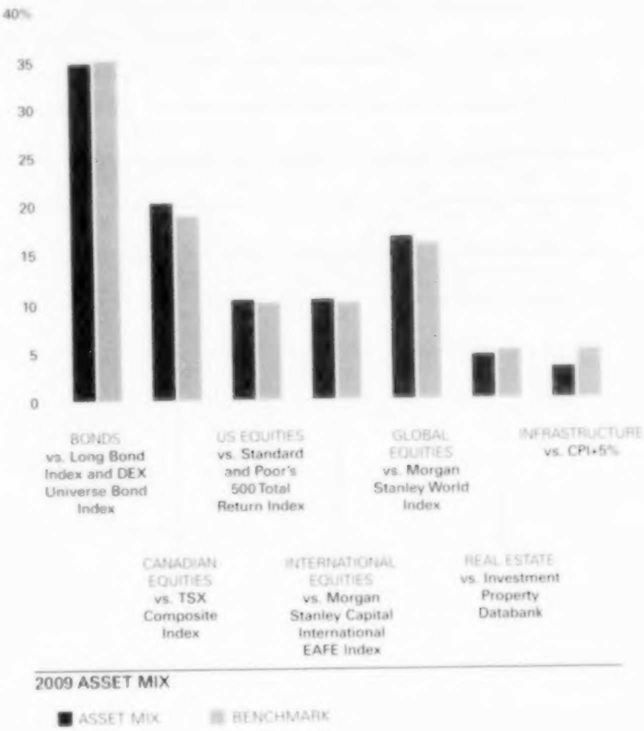
Custodian RBC Dexia Investor Services serves as custodian. In this role, RBC holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the SIP&P.

Actuary Aon Consulting Inc. prepares annual actuarial valuations for accounting purposes. Every three years or as requested, Aon also provides valuations for funding purposes. The actuary provides the Board with information regarding administration, and makes recommendations related to policies on benefits and funding. The Actuarial Opinion and Cost Certificate is found on page 10.

Auditors An external auditor, Deloitte & Touche LLP, was contracted to perform the 2009 annual audit of the Plan's financial statements. The audit is conducted in accordance with Canadian generally accepted auditing standards. Deloitte & Touche's professional opinion on the financial statements is found in its Auditors' Report, attached to the financial statements. On an annual basis, the Provincial Auditor reviews the external auditor's work on the financial statements, overall governance, internal controls and legislative compliance.

Investment highlights

Investment strategy The investment objective of the Plan is to meet current and future pension payment obligations. As a result, assets are invested in a diversified portfolio that will generate adequate and consistent returns. The funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By holding a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.



2009 ASSET MIX

Investment policies The Plan's Statement of Investment Policies and Procedures (SIP&P) is approved by the Power Corporation Superannuation Plan Board. The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To ensure diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

At present, the target asset mix is 55% equity, 35% fixed income, 5% real estate and 5% infrastructure. However, the actual mix at any one time may differ from this target due to fluctuations in the market. The Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P.

The SIP&P is consistent with *The Power Corporation Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.

Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over fixed income investments on the basis of substantial evidence that, over time, equities provide superior returns.

In the last quarter of 2008, the Plan committed 15 million USD and 11 million EUR to its infrastructure asset class via two limited partnerships. As the partnerships raise capital, further investments are made, requiring investors to fund their commitments. While the market started recovering in 2009, the lingering effect of the downturn in 2008 has continued to make it challenging to raise capital in 2009. Therefore, at December 31, 2009, the Plan has invested less than its commitment in each of these partnerships; 8 million USD and 9 million EUR.

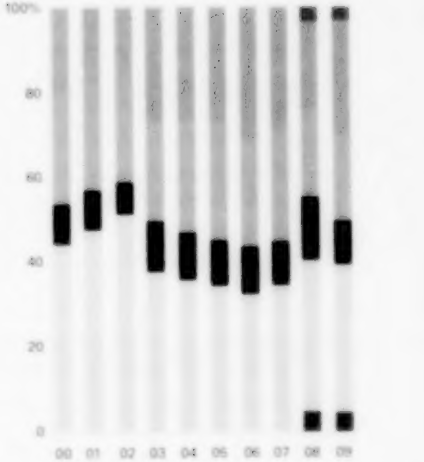
In 2009, the Plan transitioned 75% of its bond portfolio from the universe index to the long index with the objective of lengthening the duration of the portfolio to better match the Plan's liabilities. Typically the long index returns a higher yield than the universe index. The final transition (25%) is targeted for mid-2010.

In 2009, the Board selected a new investment manager, Mesirow Financial Investment Management Inc. (MFIM), to manage the Plan's foreign currency exposure. Transactions are targeted to begin with MFIM in the first quarter of 2010. Currency management will hedge the Plan's exposure to certain foreign currencies by reducing the impact of currency fluctuations on the value of foreign investments.

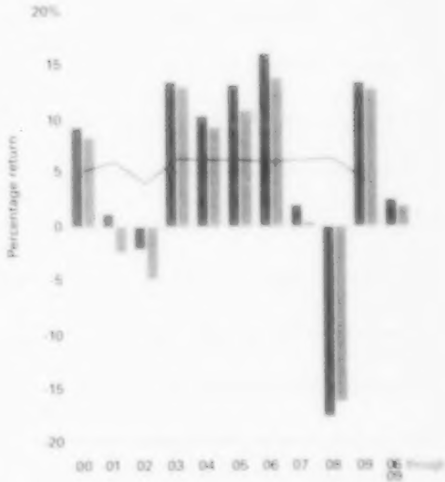
Investment performance. The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2009, the Plan achieved a rate of return of 13.4%, compared to the benchmark return of 12.8%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2006-2009, the Plan averaged an annual return of 2.5%, compared to the benchmark average of 1.9%. Over the past 10 years, the Plan has averaged an annual return of 5.9% compared to the benchmark of 4.5%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class.



ASSET ALLOCATION



PLAN PERFORMANCE

Financial highlights

During the year, equity markets rebounded increasing the Plan's net assets available for benefits. While the Plan has not recovered entirely from the combined losses experienced in 2007 and 2008, the market has strengthened. While all major stock indices were up in 2009, the Plan was negatively impacted by the strong Canadian dollar. Approximately 41% of the Plan's assets are invested outside Canada resulting in an unrealized foreign exchange loss of $29 million (2008-$46 million gain). In 2010, the Board hired a currency manager to help offset some of the volatility that foreign currency has on the Plan's asset values. Overall, the Plan ended the year with net assets available for benefits totalling $700 million, an increase of $61 million over the previous year. Over the past five years, the Plan has seen net assets available for benefits decrease by $73 million despite paying out $216 million in benefits. The change in net assets from 2008 to 2009 are as follows:

Changes in net assets (in millions)	2009	2008
Income:		
Investment income	$ 22	$ 27
Increase/(decrease) in market value of investments	59	(168)
Contributions	29	2
	110	(139)
Expenditures:		
Superannuation allowances	47	45
Administration expenses	2	2
	49	47
Changes in net assets	$ 61	$ (186)

In 2009, the Plan paid $47 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording investments. These fees are based on the fair value of assets under management. The cost of these services is 0.34% of the fair value of the total assets in 2009, a 0.06% increase from the 2008 rate.

Actuarial valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, two methods are used to value the Plan:

- An actuarial valuation for accounting purposes is performed annually as at September 30 and then extrapolated to December 31. This valuation is based on best estimates and only takes into account the benefits already earned to date by current retirees and inactive and active members, as well as contributions already received by the Plan.
- An actuarial valuation for funding purposes is required to be prepared every three years. It determines the long-term financial health of the Plan at current contribution rates. In preparing the funding valuation, the actuary projects the Plan's benefit costs (including inflation protection) and compares them to plan assets. Future contributions from active members and employers are then added using approved assumptions.

In 2009, the Plan recognized an actuarial deficit of $162 million for accounting purposes (financial statement reporting), compared to a $77 million deficit at the previous year end. The accrued pension benefits increased by $145 million, due largely to the decrease in discount rate. Net assets available for benefits increased by $61 million.

The most recent funding valuation (2008) recognized an $81 million deficit at December 31 compared to a $7 million deficit at December 31, 2007.

In accordance with the Act, any deficiencies to superannuation allowances shall be met by payments from the revenues of SaskPower.

Actuarial surplus	2009	2008
Net assets available for benefits	$ 700	$ 640
Accrued pension benefits	862	717
Deficit	$ (162)	$ (77)

Actuarial methodology and assumptions In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. This methodology is called a *best estimate actuarial valuation* and it attempts to arrive at the most likely outcome. The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Best estimate valuation economic assumptions	2009	2008
Discount rate	5.75%	7.50%
Expected rate of return on Plan assets	6.75%	6.75%
Long-term rate of compensation increases	3.50%	3.50%
Long-term inflation rate	2.50%	2.50%
Pension benefit increases (% of CPI)	70.00%	70.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the September 30, 2009, actuarial valuation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would reduce the plan deficit by $2 million. Although the member would be receiving a pension at an earlier age and not contributing as much into the Plan, the final average salary used in calculating retirement benefits is also lower and results in a decrease to the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 6.00% to 6.50%) would reduce the plan deficit by $40 million, as the present value of the necessary bond portfolio to cover the past service liabilities will be reduced.

Salary: A decrease to the real salary increase assumption of 0.5% (from 3.50% to 3.00%) would slightly decrease the deficit. The final average salary at retirement and the level of benefits paid at retirement also decrease.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (2.00% vs. 2.50%) would increase the deficit by $13 million. A lower inflation rate reduces both the discount rate and future benefit increases. The impact of the lower discount rate, which increases the accrued pension benefits, more than offsets the reductions that result from lower future benefit increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years worth of increased pension payments, payable from the Plan, thus increasing the past and future service liabilities under the Plan, and increasing the deficit by $5 million.

Actuarial Opinion and Cost Certificate

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 2009, for accounting information purposes based on Section 4100 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The results of this valuation were subsequently extrapolated to December 31, 2009. As part of the valuation and subsequent extrapolation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to management. In addition, we provided management with a statistical survey and other information used to develop its long-term economic assumptions.

The valuation and subsequent extrapolation of the Plan's actuarial liabilities were based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2009;
- methods prescribed by CICA for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on December 31, 2009, as a going concern. The actuarial assumptions used to estimate liabilities of the Plan's financial statements represent management's best estimate of future events. While we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation and subsequent extrapolations. The Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. It is important to note that the valuation and subsequent extrapolation have not been performed for the purposes of assessing the adequacy of the Plan's current funding recommendation nor is it intended to update or replace the Plan's current funding recommendation.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation and we also believe that the methods employed in the valuation extrapolation are appropriate for the purposes of the subsequent valuation. Our opinions have been given, and our valuation extrapolations have been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation and subsequent extrapolation disclosed total actuarial liabilities of $862,752,000 in respect of benefits accrued for service prior to December 31, 2009. The fair value of assets at that date was $700,223,000 indicating an accounting actuarial deficit of $162,529,000. The total cost of benefits to be accrued in the 12 months following December 31, 2009, is $6,512,000 as at December 31, 2009.

Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
January 29, 2010

Report of Management

The financial statements of the Power Corporation Superannuation Plan are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 26, 2010. The financial information presented elsewhere in the annual report is consistent with that of the financial statements.

Management maintains appropriate systems of internal control which provide assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. These systems include policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these controls and reports its findings to the SaskPower Board of Directors.

The Power Corporation Superannuation Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the external auditors' report have been reviewed and approved by the Board. The external auditors have full and open access to the Board, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

J Tytlandsvik

Jolene Tytlandsvik, CA, CFE
Supervisor, Treasury Accounting
SaskPower
February 26, 2010

Sandeep Kalra

Sandeep Kalra
Vice-president and chief financial officer
SaskPower

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits and accrued pension benefits and deficit of the Power Corporation Superannuation Plan as at December 31, 2009, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Plan as at December 31, 2009, and the changes in the net assets available for benefits and the changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 26, 2010

Statement of net assets available for benefits and accrued pension benefits and deficit

(in thousands)

As at December 31	2009	2008
Assets		
Investments *(Note 3)*		
Short-term securities	**$ 5,381**	$ 5,835
Bonds	**239,202**	224,034
Equities	**398,398**	354,350
Real estate	**31,739**	30,272
Infrastructure	**21,963**	22,200
	696,683	636,691
Receivables		
Employees' contributions	**27**	41
Sponsors' contributions	**32**	50
Accrued investment income	**2,038**	2,134
Other receivables	**4,923**	980
	7,020	3,205
Cash	**2,156**	802
Total assets	**705,859**	640,698
Liabilities		
Accounts payable and other liabilities	**5,636**	1,006
Net assets available for benefits	**$ 700,223**	$ 639,692
Accrued pension benefits and deficit		
Accrued pension benefits	**$ 862,752**	$ 717,342
Deficit	**(162,529)**	(77,650)
Accrued pension benefits and deficit	**$ 700,223**	$ 639,692

See accompanying notes

On behalf of the Board:

Grant Ring

Grant Ring, FCMA
Chair

Darren Beblow

Darren Beblow, CFA
Director

Statement of changes in net assets available for benefits

(in thousands)

For the year ended December 31	2009	2008
Increase in net assets		
Investment income		
Interest		
Short-term securities	**$ 58**	$ 393
Bonds	**11,015**	13,043
	11,073	13,436
Dividends	**10,565**	12,959
	21,638	26,395
Increase in fair value of investments	**59,483**	–
Contributions *(Note 1)*		
Employees'	**1,313**	1,536
Sponsors'	**367**	452
Other	**27,079**	–
	28,759	1,988
Total increase in net assets	**109,880**	28,383
Decrease in net assets		
Decrease in fair value of investments	**–**	168,273
Superannuation allowances	**46,716**	44,556
Refunds	**19**	–
Administrative expenses *(Note 7)*	**2,614**	1,768
Total decrease in net assets	**49,349**	214,597
Changes in net assets	**60,531**	(186,214)
Net assets available for benefits, beginning of year	**639,692**	825,906
Net assets available for benefits, end of year	**$ 700,223**	$ 639,692

See accompanying notes

Statement of changes in accrued pension benefits

(in thousands)

For the year ended December 31	2009	2008
Increase in accrued pension benefits		
Change in actuarial assumptions	**$ 139,156**	$ –
Interest on accrued benefits	**55,144**	45,239
Benefits accrued	**6,489**	8,521
	200,789	53,760
Decrease in accrued pension benefits		
Benefits paid	**46,735**	44,556
Experience gains	**8,644**	3,867
Change in actuarial assumptions	**–**	118,036
	55,379	166,459
Accrued pension benefits, beginning of year	**717,342**	830,041
Accrued pension benefits, end of year	**$ 862,752**	$ 717,342

See accompanying notes

Notes to the financial statements

As at December 31, 2009

1. Description of the Plan

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation; SaskPower) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

b) Employees' contributions

Plan members contribute a percentage of their salary at a rate based on the age when they last became a contributor to the Plan and any agreements for an employee group, less a reduction for Canada Pension Plan integration.

An employee makes no further contributions after 35 years of pensionable service.

c) Sponsors' contributions

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant Governor in Council as institutions. For these corporations, an actuary determines the required employer contribution for their active Plan members.

d) Other contributions

SaskPower has a commitment to make payments to the Plan as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement requires the Corporation to pay $81 million into the Plan in three equal instalments. The first payment of $27 million was made in December 2009. The second payment is due in July 2010 and the final payment is due in July 2011. Payments are recorded in the Plan's financial statements when they are received from the Corporation.

e) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service. Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

Annual pension benefits are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under *The Income Tax Act* (Canada).

f) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, the amount due to Canada Pension Plan integration, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

g) Deferred allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

h) Refunds and transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as a lump-sum payment less statutory deductions; as a transfer to their registered retirement savings plan; or as a transfer pursuant to the terms of an existing reciprocal agreement with another registered pension plan. Once a refund or transfer has been processed, the member has no further claim against the Plan.

i) Other benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

j) Income taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by RBC Dexia Investor Services on behalf of the Corporation and remitted to the Canada Revenue Agency.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following policies are considered to be significant:

a) Use of estimates

In preparing the Plan financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment related receivables and liabilities. Actual results could differ from those estimates, which may impact the results reported in the future periods.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Investments recorded at fair value are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation (refer to *Note 3*).

Level 1 – Quoted prices are readily available from an active market.

Level 2 – Inputs, other than quoted prices included in level 1, which are observable either directly or indirectly.

Level 3 – inputs are not based on observable market data.

Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Investments in bonds are recorded at fair value which is determined using mid market prices from a recognized security dealer. Transactions in bonds and equities are recorded as of the trade date.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices at December 31, 2009. Short-term investments are recorded at fair value. Real estate and infrastructure are recorded at fair value as estimated by independent appraisals.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investment transactions and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in fair value of investments.

c) Investment income

Investment income consists of interest on bonds and short-term securities (which is recognized as it accrues) and dividend income (which is recognized as of the ex-dividend date).

d) Transaction costs

Commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

e) Change in accounting policy

Effective December 31, 2009, the Plan adopted the changes to The Canadian Institute of Chartered Accountants (CICA) Section 3862, "Financial Instruments – Disclosures," regarding the disclosure of fair value techniques. The required disclosure can be found in *Note 2 b) and Note 3*.

3. Investments

Schedule of investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as Canadian and foreign equities, money market securities, bonds and inflation sensitive investments. The Plan's target asset mix is 55% equity, 35% fixed income, 5% real estate and 5% infrastructure. The schedule below summarizes the Plan's investments as at December 31:

(in thousands)	2009	2008
Short-term securities		
Canadian	**$ 5,381**	$ 5,835
	5,381	5,835
Bonds		
Government of Canada and federally-guaranteed	**53,991**	40,479
Provincial and provincially-guaranteed (Note 6)	**109,331**	72,921
Corporate	**75,880**	110,634
	239,202	224,034
Equities		
Canadian	**140,399**	130,270
Global	**114,192**	91,177
Non-North American	**72,145**	66,196
US	**71,662**	66,707
	398,398	354,350
Inflation sensitive		
Real estate	**31,739**	30,272
Infrastructure	**21,963**	22,200
	53,702	52,472
Total investments	**$ 696,683**	$ 636,691

Short-term securities (in thousands)

The Plan invests in short-term securities that are highly rated by a rating agency with respect to likelihood of repayment (R1 rated by Dominion Bond Rating Service or equivalent for other rating agencies). At December 31, 2009, the Plan held Canadian dollar denominated investments of $5,381 (2008 - $5,835) the majority of which mature within four to 119 days (2008 - 36 to 92 days) at yields of 0.1% to 0.2% (2008 – 0.8% to 0.9%).

Bonds

The Plan's bond portfolio is invested as follows:

(in thousands)		2009		2008	
	Years to maturity	Fair value	Average yield (%)	Fair value	Average yield (%)
Federal bonds	1-5	**$ 12,622**	**2.43**	$ 37,966	3.69
	6-10	**7,949**	**3.75**	451	4.25
	11-15	**-**	**-**	-	-
	16-20	**11,356**	**5.75**	-	-
	20+	**22,064**	**4.50**	2,062	5.00
		53,991		40,479	
Provincial bonds	1-5	**1,118**	**5.50**	12,561	5.73
	6-10	**17,173**	**5.26**	16,827	4.71
	11-15	**1,153**	**6.00**	13,593	7.03
	16-20	**20,649**	**6.60**	5,741	5.55
	20+	**69,238**	**5.60**	24,199	5.43
		109,331		72,921	
Corporate bonds	1-5	**12,931**	**5.05**	53,220	5.04
	6-10	**6,831**	**5.31**	30,831	5.20
	11-15	**2,305**	**6.31**	6,927	5.80
	16-20	**5,627**	**7.07**	1,498	6.96
	20+	**48,186**	**6.12**	18,158	5.81
		75,880		110,634	
Total bonds		**$ 239,202**		$ 224,034	

The Plan invests in bonds that are investment grade (minimum credit rating of BBB) by a recognized rating agency which reflects a high likelihood of repayment. Federal and federally guaranteed bonds have a credit rating range of A to AAA, provincial and provincially guaranteed bonds have a credit rating range of A to AAA, and corporate bonds have a credit rating range of BBB to AAA.

(in thousands)	2009		2008	
Debt rating	**Fair value**	**% of fixed income portfolio**	Fair value	% of fixed income portfolio
BBB	**$ 4,664**	**1.9**	$ 4,501	2.0
A	**113,202**	**47.3**	72,221	32.2
AA or higher	**121,336**	**50.8**	147,312	65.8
Total bonds	**$ 239,202**	**100.0**	$ 224,034	100.0

The Plan has established quality standards for corporate fixed income issues as follows:

(in thousands)		2009		2008	
Debt rating	**Maximum % of fixed income portfolio**	**Fair value**	**% of fixed income portfolio**	Fair value	% of fixed income portfolio
BBB	20%	**$ 4,664**	**1.9**	$ 4,501	2.0
A	40%	**52,018**	**21.7**	40,874	18.2
AA or higher	No limit	**19,198**	**8.1**	65,259	29.2
Total corporate bonds		**$ 75,880**	**31.7**	$ 110,634	49.4

Equities (in thousands)

The Plan's equity investments are held as portfolio investments. In 2009, the Plan held $398,398 in equities. Of this total, 35% or $140,399 of the Plan's equities were invested in Canada, with the remaining 65% or $257,999 invested in mandates outside of Canada. In 2008, the Plan held $354,350 million in equities. Of this total, 37% or $130,270 of the Plan's equities were invested in Canada, with the remaining 63% or $224,080 invested in mandates outside of Canada.

Investments are generally limited to stocks that are publicly traded on a recognized stock exchange. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

The following is a breakdown of equities directly held in the Plan as at December 31, 2009, with a fair value exceeding $5 million:

Corporate shares (in thousands)	Shares/units	Fair value
Royal Bank of Canada	172	$ 9,698
Toronto Dominion Bank	107	7,058
Bank of Nova Scotia	140	6,889
Talisman Energy Inc.	314	6,187
SNC-Lavalin Group Inc.	108	5,840
Canadian Natural Resources Ltd.	76	5,759
Total		**$ 41,431**

Real estate (in thousands)

The Plan's real estate portfolio is a Canadian-based pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties. In 2009, the Plan held $31,739 in real estate (2008 - $30,272). At present, the Board has elected to receive monthly income distributions in the form of additional units. The portfolio is valued annually by an outside, independent appraisal agency.

Infrastructure (in thousands)

The Plan's infrastructure portfolio is split between two funds, one based primarily in Europe and the other focused on the United States and Canada.

	2009					2008
(in thousands)	Capital commitment	Net cash contributed	Undrawn capital commitment	Undrawn capital commitment	Fair value of investment	Fair value of investment
Macquarie Infrastructure Partners II Fund	15,000 USD	7,821 USD	7,179 USD	$ 7,514	$ 8,142	$ 4,941
Macquarie European Infrastructure Fund III	11,250 EUR	9,315 EUR	1,935 EUR	2,903	13,821	17,259
Total				**$ 10,417**	**$ 21,963**	$ 22,200

Pooled funds (in thousands)

A pooled fund contains funds from many individual investors that are aggregated for the purpose of investment. The unit price of the pooled fund is determined by the overall performance of each of the assets in the fund. In 2009, the Plan held $180,129 (2008 - $167,499) in pooled funds with a breakdown as follows:

(in thousands)		2009		2008	
	Asset class	**Fair value**	**% of plan investments**	Fair value	% of plan investments
BlackRock Asset Management Canada Limited[1]	**US equity**	**$ 71,662**	**10.3**	$ 66,707	10.5
Greystone Managed Investments Inc.[2]	**International equity**	**72,145**	**10.3**	66,196	10.4
Greystone Managed Investments Inc.[3]	**Real estate**	**31,739**	**4.6**	30,272	4.8
Jarislowsky Fraser[4]	**Canadian equity**	**4,583**	**0.7**	4,324	0.7
Total pooled funds		**$ 180,129**	**25.9**	$ 167,499	26.4

1. A merger between Barclays Global Investors and BlackRock Inc. was announced in June and completed in December of 2009. The combined firm now operates under BlackRock Asset Management Canada Limited.
2. Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.
3. Canadian real estate portfolio for the Plan managed by Greystone Managed Investments Inc.
4. The Jarislowsky Fraser Special Equity Pooled fund is managed by Jarislowsky Fraser Ltd. and used to purchase less liquid, smaller or special Canadian equity positions.

The following table categorizes the Plan's investments, by level (refer to *Note 2 b*).

(in thousands)	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term securities	**$ 5,381**	**$ –**	**$ –**	**$ 5,381**
Bonds	**–**	**239,202**	**–**	**239,202**
Equities	**250,008**	**148,390**	**–**	**398,398**
Real estate	**–**	**–**	**31,739**	**31,739**
Infrastructure	**–**	**–**	**21,963**	**21,963**
Total	**$ 255,389**	**$ 387,592**	**$ 53,702**	**$ 696,683**

During the year ended December 31, 2009, the reconciliation of investments measured at fair value using unobservable inputs (level 3) is presented as follows:

(in thousands)	2009		
	Real estate	**Infrastructure**	**Total**
Beginning balance, January 1, 2009	**$ 30,272**	**$ 22,200**	**$ 52,472**
Purchases	**2,000**	**5,218**	**7,218**
Return of capital	**–**	**(1,781)**	**(1,781)**
Change in unrealized gains/(losses)	**(533)**	**(3,674)**	**(4,207)**
Ending balance, December 31, 2009	**$ 31,739**	**$ 21,963**	**$ 53,702**

Both infrastructure and real estate assets are valued using independent appraisals which are considered unobservable inputs.

a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

Interest rate risk

Interest rate risk refers to the adverse impact that interest rate changes have on the Plan's investment returns and financial position. On the investment side, when interest rates fall interest income on new fixed income investments falls (reduces investment returns) while their fair values rise (increases investment returns and improves the Plan's financial position).

The Plan does have substantial exposure to interest rate risk. However, the Board has taken steps over the past year to lower the Plan's interest rate risk. This has been done by transitioning the fixed income portfolio to a longer duration (to be completed by mid-2010), which will result in the interest rate risk of the fixed income portfolio more closely offsetting the interest rate risk on a corresponding amount of liabilities.

As at December 31, 2009, had prevailing interest rates increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the Plan's fixed income holdings would have decreased or increased (respectively) by approximately 11.2% ($26,862). The fixed income holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the fixed income holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Foreign currency risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of investments. In 2009, the Plan had investments denominated in foreign currencies, the exposure expressed in equivalent Canadian dollars is as follows:

(in thousands)	2009		2008	
	Investments	**% of plan investments**	Investments	% of plan investments
Global equities [1]	**$ 114,192**	**16.4**	$ 91,177	14.3
Non-North American pooled fund [2]	**72,145**	**10.3**	66,196	10.4
US equities [3]	**71,662**	**10.3**	66,707	10.5
Infrastructure [4]	**21,963**	**3.2**	22,200	3.5
Total foreign currency exposure	**$ 279,962**	**40.2**	$ 246,280	38.7

1 Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

2 These assets are pooled equity funds and are part of the Greystone Managed Investments Inc. mandate. The management of these funds has been delegated to Goldman Sachs and Hansberger Global Investors.

3 These assets are pooled U.S. equity funds which BlackRock Asset Management Canada Limited manages.

4 Macquarie Capital Markets Canada Limited manages the infrastructure assets for the Plan. The allocation is split between two funds, one European based and the other focused on the United States and Canada.

The foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	2009	2008
Currency	Exposure	Exposure
United States dollar	$ 112,351	$ 98,907
Euro	64,196	59,738
British pound sterling	38,370	29,647
Japanese yen	15,397	18,023
Hong Kong dollar	12,638	9,172
Swiss franc	11,019	11,045
Other	25,991	19,748
Total foreign currency exposure	**$ 279,962**	$ 246,280

To manage the Plan's foreign currency risk, in 2009 the Board approved currency management to hedge the majority of the Plan's exposure to changes in the value of foreign currencies. Currency exposure management is expected to begin in the first quarter of 2010.

As at December 31, 2009, had the Canadian dollar appreciated or depreciated by 10% compared to the following foreign currencies, the fair value of the Plan's investments would have decreased or increased (respectively) by the following amounts (assuming all other variables held constant):

(in thousands)	2009	
Currency	Exposure	Impact on fair value of investments
United States dollar	$ 112,351	$ 11,235
Euro	64,196	6,419
British pound sterling	38,370	3,837
Japanese yen	15,397	1,540
Hong Kong dollar	12,638	1,264
Swiss franc	11,019	1,102
Other	25,991	2,599
Total foreign currency exposure	**$ 279,962**	**$ 27,996**

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, US and global markets. Equities comprise 57% (2008 – 56%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The following table indicates the approximate increase or decrease in net assets available for benefits had equity values at December 31, 2009, increased or decreased (respectively) by 10% assuming all other variables held constant. Due to active management, the Plan's portfolio does not correlate directly to any market indices.

(in thousands)	Canadian equities	US equities	Global equities (other than Canadian and US)	Total
Impact on fair value	**$ 14,040**	**$ 10,420**	**$ 15,379**	**$ 39,839**

Securities collateral

At December 31, 2009, no Plan assets have been deposited or pledged as collateral or margin. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2009, the total amount of collateral pledged to the Plan amounted to $65,109 (2008 - $78,926). Security lending obtains collateral of a minimum of 102% of the market value of the securities lent. Such security loans must be secured by cash and/or readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real estate and infrastructure price risk

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size. Risk in the infrastructure portfolio is also managed through diversification across types and locations.

b) Credit risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by diversifying its investment portfolio and dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the Dominion Bond Rating Service. For further information on the credit ratings of the bonds held in the Plan, refer back to *Note 3*.

The maximum credit risk to which the Plan is exposed at December 31, 2009, is limited to the carrying value of the financial assets summarized as follows:

(in thousands)	**2009**	2008
	Carrying value	Carrying value
Short-term securities	**$ 5,381**	$ 5,835
Bonds	**239,202**	224,034
Receivables	**7,020**	3,205
Cash	**2,156**	802
Total credit risk	**$ 253,759**	$ 233,876

Receivables are primarily made up of accrued investment income and bond disposals. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds of a bond disposal are generally received within three days.

Credit risk within investments is primarily related to bonds and short-term securities. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds is BBB, and for short-term investments is R1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial commitments as they become due or can do so only at excessive cost. The Plan manages liquidity risk by maintaining adequate cash and short-term securities and monitoring actual and forecasted cash flows to support the Plan's operating needs.

5. Obligations for pension benefits

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. On an annual basis, an actuarial valuation for accounting purposes is prepared as at September 30 by Aon Consulting Inc. and then extrapolated to December 31.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial deficit for accounting purposes.

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2009	2008
Discount rate	**5.75%**	7.50%
Expected rate of return on Plan assets	**6.75%**	6.75%
Long-term inflation rate	**2.50%**	2.50%
Long-term rate of compensation increases	**3.50%**	3.50%
Assumption for benefit increases (% of CPI)	**70.00%**	70.00%
Remaining service life (years)	**1.93**	2.56

6. Related party transactions (in thousands)

a) Administration

As indicated in *Note 7*, certain administration costs are paid by the Corporation.

b) Investments

	2009		2008	
	Fair value	**Investment income**	Fair value	Investment income
Province of Saskatchewan bonds	**$ 9,632**	**$ 355**	$ 6,680	$ 245

7. Administrative expenses (in thousands)

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management, custodial and consulting fees are paid by the Plan. In 2009, the Corporation paid $200 (2008 - $171) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan.

b) Investment management services

Greystone Managed Investments Inc., Jarislowsky Fraser Limited, Templeton Management Limited, BlackRock Asset Management Canada Limited and Macquarie Capital Markets Canada Limited were contracted to invest the monies of the Plan during the year.

The Board has developed, with the assistance of its consultant, Hewitt Associates, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions.

c) Custodian services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling investment transactions; reviewing and documenting investment compliance by managers; and providing SaskPower with detailed reports identifying the specific assets held in the Plan. Custodian services were provided by RBC Dexia Investor Services.

d) Board Member training and development

The Board has established a training budget, allowing up to $42 (on average, $6 per Board Member) to be used for training, development and maintenance (including travel and related costs) to help Board Members become knowledgeable in pension related matters and to remain up to date on various issues that relate to prudent management of a pension plan.

In 2009, Board Member training costs totalled $20 (2008 – $17).

e) Legal costs

In 2009, $100 in legal fees for currency exposure management was paid out of the Plan.

8. Investment performance (in thousands)

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the DEX Universe Bond Index; DEX Long Bond Index; TSX Composite Index; Morgan Stanley Capital International, Europe, Australia, Far East Index; Morgan Stanley World Index; S&P 500 Index; Investment Property Databank; and a Consumer Price Index plus acceptable return approach. The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Hewitt Associates:

Rates of return (%)	2009		2008	
	Investment return	**Investment benchmark return**	Investment return	Investment benchmark return
Fixed income	**8.7**	**6.3**	4.9	6.4
Canadian equity	**27.9**	**35.1**	(31.0)	(33.0)
United States equity	**7.4**	**7.4**	(21.2)	(21.2)
Non-North American equity	**20.6**	**11.9**	(34.2)	(29.2)
Global equity	**16.7**	**9.5**	(30.7)	(25.6)
Real estate[1]	**(1.7)**	**(1.4)**	N/A	N/A
Infrastructure[1]	**(13.9)**	**6.4**	N/A	N/A
Plan's actual rate of return	**13.4**	**12.8**	(17.7)	(16.3)
Four year rolling average return	**2.5**	**1.9**	2.5	1.5

1. 2008 information is not provided because these investments were made in late 2008.

In 2009, the Plan had an increase to the fair value of its investments of $59,483. An unrealized fair value gain of $102,777 was partially offset by a foreign exchange loss of $29,391 and a realized fair value loss on investments of $13,903.

In 2008, the Plan had a decrease to the fair value of its investments of $168,273. An unrealized fair value loss of $217,764 was partially offset by a foreign exchange gain of $46,273 and a realized fair value gain on investments of $3,218.

Five-year review

Net assets available for benefits and accrued pension benefits and (deficit)/surplus

(in thousands)

As at December 31	2009	2008	2007	2006	2005
Assets					
Investments					
Short-term securities	**$ 5,381**	$ 5,835	$ 5,910	$ 5,045	$ 5,892
Bonds	**239,202**	224,034	281,757	272,835	262,743
Equities	**398,398**	354,350	537,173	570,608	502,664
Real estate	**31,739**	30,272	–	–	–
Infrastructure	**21,963**	22,200	–	–	–
	696,683	636,691	824,840	848,488	771,299
Receivables					
Employees' contributions	**27**	41	43	44	43
Sponsors' contributions	**32**	50	55	49	49
Accrued investment income	**2,038**	2,134	2,191	2,533	2,180
Other receivables	**4,923**	980	243	5,284	19
	7,020	3,205	2,532	7,910	2,291
Cash	**2,156**	802	–	770	499
Total assets	**705,859**	640,698	827,372	857,168	774,089
Liabilities					
Accounts payable	**5,636**	1,006	1,466	5,581	997
Net assets available for benefits	**$ 700,223**	$ 639,692	$ 825,906	$ 851,587	$ 773,092
Accrued pension benefits and (deficit)/surplus					
Accrued pension benefits	**$ 862,752**	$ 717,342	$ 830,041	$ 838,763	$ 769,913
(Deficit)/surplus	**(162,529)**	(77,650)	(4,135)	12,824	3,179
Accrued pension benefits and (deficit)/surplus	**$ 700,223**	$ 639,692	$ 825,906	$ 851,587	$ 773,092

Five-year review

Changes in net assets available for benefits

(in thousands)

As at December 31	2009	2008	2007	2006	2005
Increase in net assets					
Investment income					
Interest					
Short-term securities	**$ 58**	$ 393	$ 224	$ 254	$ 1,688
Bonds	**11,015**	13,043	12,484	12,095	11,462
	11,073	13,436	12,708	12,349	13,150
Dividends	**10,565**	12,959	25,357	15,308	10,019
	21,638	26,395	38,065	27,657	23,169
Increase in fair value of investments	**59,483**	–	–	92,903	66,733
Contributions					
Employees'	**1,313**	1,536	1,663	1,711	1,652
Sponsors'	**367**	452	465	453	5,198
Other	**27,079**	–	–	–	–
	28,759	1,988	2,128	2,164	6,850
Total increase in net assets	**109,880**	28,383	40,193	122,724	96,752
Decrease in net assets					
Decrease in fair value of investments	**–**	168,273	20,984	–	–
Superannuation allowances	**46,716**	44,556	42,767	41,708	40,486
Transfers and refunds on terminations	**19**	–	–	552	167
Administrative expenses	**2,614**	1,768	2,123	1,969	1,860
Total decrease in net assets	**49,349**	214,597	65,874	44,229	42,513
Changes in net assets	**60,531**	(186,214)	(25,681)	78,495	54,239
Net assets available for benefits, beginning of year	**639,692**	825,906	851,587	773,092	718,853
Net assets available for benefits, end of year	**$ 700,223**	$ 639,692	$ 825,906	$ 851,587	$ 773,092

Glossary

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's costs for future employee's benefits. Examples of these estimates are: rates of return on Plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age; ending upon the age when OAS full CPP benefits start.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Defined contribution plan
Pension plan that specifies the amount to be contributed to the plan. Contributions and time period determine the benefit.

Equities
Common stock or ownership in a company.

Fair value
Dollar amount that two parties consider appropriate for a transaction.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan
Power Corporation Superannuation Plan.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500
Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.

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SaskPower
Powering the future

SaskPower | Carol Tabashniuk
Compensation & Benefits
Phone: (306) 566-2177 | Fax: (306) 566-2590
E-mail: ctabashniuk@saskpower.com
Mail: 10W - 2025 Victoria Avenue
Regina, Saskatchewan | Canada S4P 0S1

SaskEnergy

SaskEnergy | Hazel Tempel
Compensation & Benefits
Phone: (306) 777-9957 | Fax: (306) 781-7050
E-mail: htempel@saskenergy.com
Mail: 800 - 1777 Victoria Avenue
Regina, Saskatchewan | Canada S4P 4K5